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RUCUSTR/USSTRATCOM OFFUTT AFB NE

UNCLAS BERLIN 000796

SENSITIVE

SIPDIS
STATE FOR EUR/CE PETER SCHROEDER
STATE FOR ISN/MDSP DICK BUENNEKE

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SUBJECT: CHALLENGES ON THE HORIZON FOR GERMAN IMAGERY
SATELLITE START-UP

REF: A. BERLIN 788
[1](#)B. 08 BERLIN 1537

[1](#)1. (SBU) SUMMARY: German satellite imagery provider RapidEye AG's current business model as a value-added imagery provider is likely not sustainable and they may be forced restructure to survive. The firm's primary target customers-- commodity traders and the insurance industry--appear to want to manipulate and interpret raw data themselves. In addition, cash flow problems may force them to trim staff and other expenses. If problems continue, they may become an attractive buy-out target to other imagery players in the space. END SUMMARY

PROBLEMS WITH BUSINESS MODEL AND CASH FLOW

[1](#)2. (SBU) RapidEye's original business plan focused on being a provider of finished analytical product, imaging the health and condition of large areas of biomass to worldwide insurance industry and agricultural commodity traders, but the apparent lack of interest from these customers is forcing RapidEye into a raw data provider paradigm. In addition, the company appears to be facing significant cash flow problems, with staff expenses outpacing income, in addition to the burden of repaying 160 million euro in start-up debt. Based on our analysis of RapidEye's three-year revenue outlook, their current best case scenario will likely not generate enough revenue to cover their current operational costs while paying back their investors. As a result, the likelihood of job cuts and company restructuring is becoming more realistic.

THE PROBLEM WITH BEING ONLY A DATA PROVIDER

[1](#)3. (SBU) RapidEye does not own intellectual property rights to their spacecraft or to the instruments used to capture multi-spectral imagery, which presents an additional challenge to their long-term viability. Even if RapidEye adjusts its business model to be a data-only provider, competition is almost certain to increase and siphon market share. RapidEye would much rather establish itself as the world niche leader in multi-spectral based value added product and analysis, something much more difficult to replace.

COMMENT

¶4. (SBU) RapidEye has likely transitioned into survival mode and sees selling minimally-processed land cover data to the Chinese and US markets as having the most potential to rectify their cash flow problems. RapidEye has even offered direct downlink services of their data to prospective customers in an effort to expand business (ref A). This is in contradiction to a comment RapidEye CEO Wolfgang Biedermann made last year (please see ref B) when he said, "we do not like this idea at all (direct data downlink), it is our data, and we want to control our archives." Unless substantial new sales of value-added products can be established in major global markets such as China and the US -- particularly in the defense and security sectors -- RapidEye's enterprise may not be sustainable over the longer term. If their business model fails, it is likely that the company may be the subject of a buyout or outside takeover. If a RapidEye buyout becomes a reality, we see Astrium GmbH (Friedrichshafen) jointly with their daughter company, Infoterra GmbH, as the most likely suitor. This hypothetical likelihood is based on how complimentary RapidEye's imagery would be to Infoterra's current imagery product offerings and recent high ranking engagements Astrium and Infoterra associates have had with RapidEye.
Koenig